

ATHERTON COMMUNITY SCHOOLS

BURTON, MICHIGAN

AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2004

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Lewis & Knopf, CPAs, P.C.

"Serving You with Trust and Integrity"

July 27, 2004

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Atherton Community Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Atherton Community Schools, as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Atherton Community Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Atherton Community Schools as of June 30, 2004, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report under separate cover dated July 27, 2004 on our consideration of the School District's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages II - VIII and 18 are not required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Atherton Community Schools' basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Atherton Community Schools

3354 S. Genesee Road, Burton, Michigan 48519

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Atherton Community Schools, a K-12 school District located in Genesee County, Michigan, is in its second year of implementation of the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Atherton Community Schools' Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2004.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements:

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

District Wide Financial Statements:

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

ATHERTON COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

District Wide Financial Statements: (Continued)

These two statements report the Atherton Community Schools net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District’s financial health or financial position. Over time, increases or decreases in the School District’s net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District’s services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SUMMARY OF NET ASSETS:

The following summarizes the net assets at the fiscal years ended June 30, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Current Assets	\$3,810,403	\$7,621,136
Non-Current Assets	<u>9,811,740</u>	<u>5,522,319</u>
<u>TOTAL ASSETS</u>	<u><u>\$13,622,143</u></u>	<u><u>\$13,143,455</u></u>
<u>LIABILITIES</u>		
Current Liabilities	\$1,515,884	\$1,111,998
Long-Term Liabilities	<u>8,436,140</u>	<u>8,779,445</u>
Total Liabilities	\$9,952,024	\$9,891,443
<u>NET ASSETS</u>		
Invested in Capital Assets - Net of Related debt	1,919,742	1,748,217
Restricted - Debt Service	55,277	83,940
Unrestricted	<u>1,695,100</u>	<u>1,419,855</u>
Total Net Assets	<u><u>\$3,670,119</u></u>	<u><u>\$3,252,012</u></u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u><u>\$13,622,143</u></u>	<u><u>\$13,143,455</u></u>

ATHERTON COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

RESULTS OF OPERATIONS:

For the fiscal years ended June 30, 2004 and 2003, the District wide results of operations were:

	<u>2004</u>	<u>2003</u>
<u>REVENUES</u>		
<u>General Revenues:</u>		
Property Taxes Levied for General Operations	\$2,065,365	\$2,030,218
Property Taxes Levied for Debt Service	655,514	634,365
State of Michigan Unrestricted Foundation Aid	4,681,386	4,703,629
Other General Revenues	<u>112,594</u>	<u>299,545</u>
Total General Revenues	\$7,514,859	\$7,667,757
<u>Operating Grants:</u>		
Federal	806,957	685,770
State of Michigan	484,276	442,710
Other Operating Grants	<u>75,315</u>	<u>120,955</u>
Total Operating Grants	\$1,366,548	\$1,249,435
<u>Charges for Services:</u>		
Food Service	163,892	159,519
Athletics	26,446	26,720
Other Charges for Services	<u>84,288</u>	<u>5,592</u>
Total Charges for Services	\$274,626	\$191,831
Total Revenues	\$9,156,033	\$9,109,023
<u>EXPENSES</u>		
Instruction & Instructional Support	4,981,232	4,882,063
Support Services	2,714,381	2,531,664
Community Services	3,745	3,745
Food Service	405,544	393,871
Athletics	147,090	144,034
Interest on Long-Term Debt	406,537	499,129
Depreciation	<u>79,397</u>	<u>68,196</u>
Total Expenses	\$8,737,926	\$8,522,702
<u>INCREASE IN NET ASSETS</u>	\$418,107	\$586,321
<u>BEGINNING NET ASSETS</u>	<u>3,252,012</u>	<u>2,665,691</u>
<u>ENDING NET ASSETS</u>	<u><u>\$3,670,119</u></u>	<u><u>\$3,252,012</u></u>

ATHERTON COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Analysis of Financial Position:

During the year ended June 30, 2004, the District's Total Net Assets increased by \$418,107 to a total of \$3,670,119. The largest portion of the net assets are the District's investment in capital assets. Net assets (invested in capital assets, net of related debt) increased by \$171,525 during the year due to purchases of new capital assets and principal payments on related debt exceeding depreciation. The districts Unrestricted Net Assets increased by \$275,245 during the year and the restricted portion of the net assets decreased by \$28,663. The restricted Net Assets consist of the Investment in Capital Assets-net of related Debt, the restricted debt retirement funds that may only be used to pay bonded debt and restricted capital projects funds that may only be used to fund capital projects. The unrestricted net assets may be used to fund the educational services provided to students.

Analysis of Results of Operations

The district's overall revenues exceeded its expenses for the year by \$418,107. The total revenues increased by \$47,010 over last years amounts. The major change was an increase in property taxes collected during the fiscal year and an increase in federal grant revenues. Expenses increased by \$215,224 over last year. Major changes were increases in salaries, payroll taxes and related fringe benefits. Support services increased due to an increase in purchased services for technology for the district, directly related to the implementation of the technology plan and the planned technology upgrades as voted in the 2001 bond issue by the residents of the district.

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a governments net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

General Fund

The district's general fund is the chief operating fund of the district. Unreserved fund balance for the general fund increased by \$250,095 during the year with the increase coming primarily from a increase in cash. Revenues for the year increased by \$237,775 primarily from an increase in federal grant revenues. Expenditures and other financing uses increased by \$197,702, primarily from increases in salaries, payroll taxes, retirement payments and fringe benefit expenses. The major source of general fund revenues is state aid and taxes. An analysis of them is as follows:

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)

The State of Michigan aid, unrestricted, is determined with the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment - Blended at 80 percent of current year's fall count and 20 percent of prior year's winter count
- c. The District's non-homestead tax levy

2. Per Student, Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. The Atherton Community Schools foundation allowance was \$6,700 per student for the 2003-2004 school year, the same as the prior year. The foundation allowance was decreased by \$74 per student from \$6,700 to \$6,626 as the result of an executive order by the governor.

ATHERTON COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)

Analysis of Financial Position (Continued)

General Fund (Continued)

3. Student Enrollment:

The District's student enrollment for the fall count of 2003-2004 was 1,053 students. This was an increase of 21 students from the prior year.

4. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 17.9172 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2003-2004 fiscal year was \$2,065,365. This was an increase of \$35,147 or 1.73% from the prior year.

Capital Projects Fund

The districts Capital projects fund balance decreased by \$4,421,898. Investment earnings are the primary source of revenue in the fund and they decreased by \$109,982 from the previous year. The District also had a loss on the sale of investments of \$115,384. Expenditures which are restricted for construction projects increased by \$568,786 from the prior year.

Debt Retirement Fund

The districts debt retirement fund balance decreased by \$28,663. The fund balance is restricted to use for payments on bonded debt. The funds had expenditures of \$685,169 in paying the required interest and principal payments of the school's bonded debt. The majority of the fund's revenue is derived from tax collections. An analysis of them is as follows:

1. Debt Fund Property and Industrial Facility In Lieu of Taxes

The District's debt fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties: homestead and non-homestead. In addition, the District collects IFT (Industrial Facilities Taxes) In Lieu of Taxes that are essentially taxed at 50 percent of the regular tax rate.

For 2003-2004, the District's debt millage levy was 3.48 mills that generated revenue of \$655,514. This was an increase of \$21,149 from the prior year.

Special Revenue Funds

The districts special revenue funds provide food service and athletic opportunities to students. During the year the fund balances increased by \$8,830. Food service fund revenue increased by \$15,754, primarily due to an increase in the prices charged for meals. Athletic fund revenue decreased by \$4,094, primarily from a reduction in transfers from the general fund.

ATHERTON COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

GENERAL FUND BUDGETARY HIGHLIGHTS:

GENERAL FUND BUDGET VS. ACTUAL

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Original & Final Budget %</u>	<u>Variance Actual & Final Budget %</u>
Revenue	\$7,729,844	\$8,010,571	\$8,067,760	3.63%	0.71%
Expenditures	7,730,610	8,052,241	7,817,665	4.16%	2.91%
<u>TOTAL</u>	<u>(\$766)</u>	<u>(\$41,670)</u>	<u>\$250,095</u>		

ANALYSIS OF BUDGETS:

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Atherton Community Schools amends its budget during the school year. The June, 2004 budget amendment was the final budget for the fiscal year.

Original vs. Final Budgets

Revenues

The variance in revenues from the original budget and the final budget correlates directly to budgetary issues at the State level regarding state aid and federal grant funding. Administration developed the original revenue assumption for state aid on a change in the state aid formula from the current 80/20 formula to a proposed 50/50 formula (50 % of the fall enrollment count and 50% of the spring enrollment count). This proposal appeared likely to be implemented as legislation at the time the budget was developed; this did not occur and the assumption was changed during the fiscal year. At the same time, several federal grant awards were received in amounts greater than estimated, therefore the revenue budgeted as part of these awards increased. Additional revenue was received from the sale of property that once had an elementary building on it. The proceeds from the sale were earmarked for the renovation of the tennis courts, thus the expenditure will be reflected in the June 30, 2005 fiscal year.

Expenditures

The variance in expenditures were due to the anticipation of expending the additional grant revenues and conservative estimation of wages and benefits.

Actual Results vs. Final Budgets

Revenues

There were no significant variations.

Expenditures

The variance in expenditures is the result of the expenditure of the additional grant awards, conservative estimates in salary areas and savings by administration in legal services, contracted services and workers compensation insurance.

ATHERTON COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

CAPITAL ASSET AND DEBT ADMINISTRATION

A. Debt, Principal Payments

The District made principal payments on bonded, long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	Principal Balance 7-01-03	Increases 6-30-04	Principal Payments 6-30-04	Principal Balance 6-30-04
Durant Bonds	\$95,755	\$0	\$0	\$95,755
2001 Building & Site Bonds	8,825,000	0	275,000	8,550,000
Bus Note Payable	60,988	0	29,001	31,987
Vacation & Sick Days Payable	101,700	0	12,688	89,012
<u>Total Long-Term Obligations</u>	<u>\$9,083,443</u>	<u>\$0</u>	<u>\$316,689</u>	<u>\$8,766,754</u>

B. Capital Assets

The district's net investment in capital assets decreased by \$123,420 during the fiscal year. This can be summarized as follows:

	BALANCE JULY 1, 2003	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2004
Capital Assets	\$4,956,699	\$6,795	\$0	\$4,963,494
Less: Accumulated Depreciation	(3,689,649)	(130,215)	0	(3,819,864)
<u>Net Investment Capital Outlay</u>	<u>\$1,267,050</u>	<u>(\$123,420)</u>	<u>\$0</u>	<u>\$1,143,630</u>

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Atherton Community Schools.

ATHERTON COMMUNITY SCHOOLS
STATEMENTS OF NET ASSETS
JUNE 30, 2004 AND 2003

	Governmental Activities	
	2004	2003
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$2,317,553	2,215,559
Investments	0	3,965,384
Accounts Receivable	230	0
Property Taxes Receivable	10,946	640
Due from Other Governmental Units	1,477,085	1,433,041
Inventory	4,589	6,512
Total Current Assets	\$3,810,403	\$7,621,136
<u>NON-CURRENT ASSETS</u>		
Construction in Progress	8,668,111	4,255,269
Capital Assets	4,963,494	4,956,699
Less: Accumulated Depreciation	(3,819,865)	(3,689,649)
Total Noncurrent Assets	\$9,811,740	\$5,522,319
<u>TOTAL ASSETS</u>	\$13,622,143	\$13,143,455
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	487,483	124,671
Salaries Payable	409,861	400,462
Accrued Expenses	272,769	258,726
Current Portion of Long-Term Obligations	330,614	303,999
Deferred Revenue	15,157	24,140
Total Current Liabilities	\$1,515,884	\$1,111,998
<u>NON-CURRENT LIABILITIES</u>		
Noncurrent Portion of Long-Term Obligations	8,436,140	8,779,445
<u>TOTAL LIABILITIES</u>	\$9,952,024	\$9,891,443
<u>NET ASSETS</u>		
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	1,919,742	1,748,217
Restricted for:		
Debt Service	55,277	83,940
Unrestricted	1,695,100	1,419,855
<u>TOTAL NET ASSETS</u>	\$3,670,119	\$3,252,012

See accompanying notes to the basic financial statements.

ATHERTON COMMUNITY SCHOOLS
STATEMENTS OF ACTIVITIES
JUNE 30, 2004 AND 2003

FUNCTIONS/PROGRAMS	2004			2003
	Expenses	Charges For Services	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue & Change in Net Assets
Governmental Activities:				
Instruction	\$4,981,232	\$22,521	\$1,046,209	(\$3,912,502)
Support Services	2,714,381	61,767	76,458	(2,576,156)
Community Services	3,745	0	0	(3,745)
Food Service	405,544	163,892	243,881	2,229
Athletics	147,090	26,446	0	(120,644)
Interest - Long-Term Obligations	406,537	0	0	(406,537)
Depreciation - Unallocated	79,397	0	0	(79,397)
<u>TOTALS</u>	<u>\$8,737,926</u>	<u>\$274,626</u>	<u>\$1,366,548</u>	<u>(\$7,096,752)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				2,720,879
State Aid				4,681,386
Other General Revenues				112,594
Total General Revenues and Transfers				<u>\$7,514,859</u>
Change in Net Assets				\$418,107
Net Assets - Beginning				<u>3,252,012</u>
<u>Net Assets - Ending</u>				<u>\$3,670,119</u>

See accompanying notes to the basic financial statements.

ATHERTON COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and Cash Equivalents	\$1,006,032	\$1,162,036	\$149,485	\$2,317,553
Accounts Receivable	230	0	0	230
Property Taxes Receivable	9,072	0	1,874	10,946
Due from Other Funds	1,474	0	12,017	13,491
Due from Other Governmental Units	1,474,627	0	2,458	1,477,085
Inventory	0	0	4,589	4,589
<u>TOTAL ASSETS</u>	<u>\$2,491,435</u>	<u>\$1,162,036</u>	<u>\$170,423</u>	<u>\$3,823,894</u>
<u>LIABILITIES</u>				
Accounts Payable	\$107,488	\$376,292	\$3,703	\$487,483
Due to Other Funds	12,017	0	1,474	13,491
Salaries Payable	409,861	0	0	409,861
Accrued Expenses	207,056	0	0	207,056
Deferred Revenue	15,157	0	0	15,157
Total Liabilities	\$751,579	\$376,292	\$5,177	\$1,133,048
<u>FUND BALANCES</u>				
Reserved For:				
Inventory	0	0	4,589	4,589
Debt Retirement	0	0	55,277	55,277
Capital Projects	0	785,744	0	785,744
Designated	179,341	0	0	179,341
Unreserved:				
Undesignated, Reported In:				
General Fund	1,560,515	0	0	1,560,515
School Service Funds	0	0	105,380	105,380
Total Fund Balances	\$1,739,856	\$785,744	\$165,246	\$2,690,846
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$2,491,435</u>	<u>\$1,162,036</u>	<u>\$170,423</u>	<u>\$3,823,894</u>

See accompanying notes to the basic financial statements.

ATHERTON COMMUNITY SCHOOLS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2004

Total Governmental Fund Balances:		\$2,690,846
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$4,956,699 and the accumulated depreciation is \$3,689,649		1,143,629
Construction in Progress on the 2001 Capital Projects Fund		8,668,111
Accrued Interest on Long-Term Debt		(65,713)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds Payable	\$8,645,755	
Bus & Equipment Notes Payable	31,987	
Compensated Absences Payable	89,012	
Total Long-Term Liabilities		(8,766,754)
<u>TOTAL NET ASSETS -</u>		<u>\$3,670,119</u>
<u>GOVERNMENTAL ACTIVITIES</u>		

ATHERTON COMMUNITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	General	Capital	Other	Total
	Fund	Projects	Governmental	Governmental
	Fund	Fund	Funds	Funds
<u>REVENUES</u>				
Local Sources	\$2,218,753	\$107,612	\$852,164	\$3,178,529
State Sources	5,139,333	0	26,329	5,165,662
Federal Sources	589,405	0	217,552	806,957
Total Revenues	\$7,947,491	\$107,612	\$1,096,045	\$9,151,148
<u>EXPENDITURES</u>				
Current:				
Instruction	4,980,625	0	0	4,980,625
Student Services	126,688	0	0	126,688
Instructional Support	191,617	0	0	191,617
General Administration	357,546	0	0	357,546
School Administration	556,013	0	0	556,013
Business Administration	177,042	0	0	177,042
Operation & Maintenance of Plant	851,682	0	0	851,682
Transportation	236,019	0	0	236,019
Support Services - Other	118,158	0	0	118,158
Community Services	3,745	0	0	3,745
Food Service	0	0	548,381	548,381
Debt Service	0	0	685,169	685,169
Capital Outlay				
Buildings & Additions	0	394,017	0	394,017
Non-Property	0	3,374,650	0	3,374,650
Improvements Other Than Buildings	0	161,161	0	161,161
Equipment & Furniture	0	483,014	0	483,014
Other	0	1,284	0	1,284
Total Expenditures	\$7,599,135	\$4,414,126	\$1,233,550	\$13,246,811
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	\$348,356	(\$4,306,514)	(\$137,505)	(\$4,095,663)
<u>OTHER FINANCING SOURCES (USES)</u>	(98,261)	(115,384)	117,672	(95,973)
Net Change in Fund Balance	\$250,095	(\$4,421,898)	(\$19,833)	(\$4,191,636)
<u>FUND BALANCE - BEGINNING</u>	1,489,761	5,207,642	185,079	6,882,482
<u>FUND BALANCE - ENDING</u>	\$1,739,856	\$785,744	\$165,246	\$2,690,846

See accompanying notes to the basic financial statements.

ATHERTON COMMUNITY SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

Total net change in fund balances - governmental funds	(\$4,191,636)
--	---------------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(124,704)
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Construction in Progress	4,414,126
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.	304,001
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Change in accrued interest on long-term liabilities	3,632
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Decrease in accrued compensated absences	<u>12,688</u>
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<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	<u><u>\$418,107</u></u>
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ATHERTON COMMUNITY SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2004

	Trust & Agency
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$67,150</u>
<u>TOTAL ASSETS</u>	<u>\$67,150</u>
<u>LIABILITIES</u>	
Due to Student Groups	<u>\$67,150</u>
<u>TOTAL LIABILITIES</u>	<u>\$67,150</u>

See accompanying notes to the basic financial statements.

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Atherton Community Schools conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District’s activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds

Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains two school service funds: Food Service and Athletic Funds.

Debt Retirement Fund

The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund

The Capital Projects Fund is used to account for the acquisition and construction of major facilities by the School District.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

The District considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price and investments that do not have an established market are reported at estimated fair value. Cash deposits are reported at carrying amount which reasonably estimates fair value.

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G) CAPITAL ASSETS (Continued)

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities</u> <u>Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
Vehicles and Buses	5 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

P.A. 621 of 1978, Section 18 (1), as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

The District did not approve a budget for the capital projects fund for the 2003-2004 fiscal year.

4) DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the District to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC).

The following information classifies deposits and investments by categories of risk as defined by GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

Deposits - The Board of Education authorized the following financial institutions for the deposit of the District's funds for the year ended June 30, 2004: Citizens Bank. The Board also authorized the business office to invest funds with financial institutions that gave the maximum interest rate of return upon receipt of quotes.

The District's deposits are in accordance with statutory authority.

At June 30, 2004, the carrying amount of the School District's deposits was \$2,384,703 and the bank balance was \$2,843,189. \$153,415 of the bank balance was covered by federal depository insurance and \$2,689,774 was uninsured and uncollateralized.

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

4) DEPOSITS AND INVESTMENTS (Continued)

Investments - The School District's investments are required to be categorized to give an indication of the level of risk assumed by the District at June 30, 2004. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or its trust department or agent but not in the School District's name.

At June 30, 2004, the District had no investments.

5) PROPERTY TAXES

The School District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

6) RECEIVABLES

Receivables at June 30, 2004, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 932,792
Federal Grants	458,774
Other Grant Programs & Fees	<u>85,519</u>
<u>TOTAL GOVERNMENTAL ACTIVITIES</u>	<u>\$ 1,477,085</u>

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2004, the School District had no estimated claims in conjunction with the program.

8) SHORT-TERM DEBT

The District has various options for short-term financing including tax anticipation notes, state aid anticipation notes and lines of credit. The District entered into no short-term financing arrangements during the fiscal year ended June 30, 2004.

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

9) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	<u>BALANCE</u> <u>JULY 1, 2003</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2004</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Buildings and Improvements	\$3,966,233	\$6,795	\$0	\$3,973,028
Land Improvements	137,926	0	0	137,926
Equipment and Furniture	499,483	0	0	499,483
Vehicles	353,057	0	0	353,057
Totals at Historical Cost	\$4,956,699	\$6,795	\$0	\$4,963,494
Less: Accumulated Depreciation				
Buildings and Improvements	(2,940,072)	(79,369)	0	(3,019,441)
Land Improvements	(108,182)	(1,640)	0	(109,822)
Equipment and Furniture	(408,172)	(16,308)	0	(424,480)
Vehicles	(233,223)	(32,898)	0	(266,121)
Total Accumulated Depreciation	(\$3,689,649)	(\$130,215)	\$0	(\$3,819,864)
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$1,267,050</u>	<u>(\$123,420)</u>	<u>\$0</u>	<u>\$1,143,630</u>

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 7,402
Support Services	39,163
Food Service	1,084
Athletics	3,169
Unallocated	79,397
<u>TOTAL DEPRECIATION EXPENSE</u>	<u>\$ 130,215</u>

Investment in capital assets – net of related debt consists of the following:

Construction in Progress	8,668,111
Capital Assets	4,963,494
Less: Accumulated Depreciation	(3,819,865)
Less: Long-Term Liabilities	(8,766,754)
Vacation & Sick Days Payable	89,012
Capital Projects Fund Equity	785,744
<u>TOTAL</u>	<u>\$ 1,919,742</u>

10) GENERAL LONG-TERM DEBT

A) Bus Notes Payable

Atherton Community Schools is indebted to Citizens Bank on bus notes payable in the amount of \$64,901 and \$74,611, respectively. The notes require annual principal payments per annum of \$14,732 including interest at 4.375% per annum and \$17,174 including interest at 4.875% per annum, respectively. The balances as of June 30, 2004 were \$0 and \$31,989, respectively.

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

10) GENERAL LONG-TERM DEBT (Continued)

B) 2001 School Building and Site Bonds

Atherton Community Schools has issued General Obligation Bonds dated November 13, 2001, in the amount of \$9,125,000, bearing interest at rates varying from 4.00% to 6.00% per annum. These bonds were issued for the purpose of remodeling, furnishing, equipping, developing and improving the site for Atherton High School, remodel, develop and improve the site for Van Y Elementary and Atherton Middle School; and to acquire, install, equip and re-equip existing school buildings for technology. The balance of the bonds as of June 30, 2004 was \$8,550,000.

C) Durant Resolution Package Bonds

Atherton Community Schools issued Durant Resolution Bonds on November 24, 1998 in the amount of \$149,883 at the interest rate of 4.7613%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance at June 30, 2004 was \$95,755. The legislature refinanced the repayment schedule during the year ended June 30, 2003.

D) Annual Principal Requirements

The annual principal requirements for all debts outstanding as of June 30, 2004 are as follows:

	NOTES PAYABLE	BONDS PAYABLE	INTEREST	TOTAL
June 30, 2005	\$15,614	\$315,000	\$395,060	\$725,674
June 30, 2006	16,375	342,255	378,668	737,298
June 30, 2007	0	362,599	357,425	720,024
June 30, 2008	0	410,032	347,837	757,869
June 30, 2009	0	403,341	312,884	716,225
June 30, 2010-2014	0	2,352,528	1,207,871	3,560,399
June 30, 2015-2019	0	3,020,000	663,400	3,683,400
June 30, 2020-2021	0	1,440,000	86,800	1,526,800
<u>TOTAL</u>	<u>\$31,989</u>	<u>\$8,645,755</u>	<u>\$3,749,945</u>	<u>\$12,427,689</u>

The payment dates of sick days payable is undeterminable. The interest expenditures on long-term obligations for the year were \$412,901.

E) Changes in General Long-Term Debt

	BALANCE JULY 1, 2003	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2004	AMOUNT DUE IN ONE YEAR
<u>Governmental Activities:</u>					
Durant Bonds	\$95,755	\$0	\$0	\$95,755	\$0
2001 Building & Site Bonds	8,825,000	0	275,000	8,550,000	315,000
Bus Notes Payable	60,988	0	29,001	31,987	15,614
Vacation & Sick Days Payable	101,700	0	12,688	89,012	0
<u>Total Governmental Activities</u>	<u>\$9,083,443</u>	<u>\$0</u>	<u>\$316,689</u>	<u>\$8,766,754</u>	<u>\$330,614</u>

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

11) GENERAL FUND DESIGNATIONS

The general fund designations are as follows:

Tennis Courts	\$ 63,554
Special Projects	72,287
Technology	<u>43,500</u>
 <u>TOTAL</u>	 <u>\$ 179,341</u>

12) OPERATING LEASES

Atherton Community Schools has entered into the operating leases summarized below:

A) The District entered into a operating lease with Brady's Business Systems for copiers on September 23, 2003. The lease payment is \$24,074 per annum for a period of five years.

B) Future minimum payments for the operating leases is as follows:

June 30, 2005	\$ 24,074
June 30, 2006	24,074
June 30, 2007	24,074
June 30, 2008	24,074
June 30, 2009	<u>24,074</u>
 <u>TOTALS</u>	 <u>\$ 120,370</u>

13) INTERFUND ACTIVITY

Interfund balances at June 30, 2004 consisted of the following:

DUE TO	DUE FROM		
	GENERAL FUND	SPECIAL REVENUE FUND	TOTAL
General Fund	\$0	\$12,017	\$12,017
Special Revenue Fund	<u>1,474</u>	<u>0</u>	<u>\$1,474</u>
 <u>TOTAL</u>	 <u>\$1,474</u>	 <u>\$12,017</u>	 <u>\$13,491</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

14) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2004, consisted of the following:

TRANSFERS TO	TRANSFERS FROM	
		GENERAL FUND
	Athletics Fund	\$117,672

These transfers were made to subsidize the cost of services for athletics.

15) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPSERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPSERS. That report may be obtained by writing to the MPSERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

Funding Policy

Employer contributions to the MPSERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 12.99 percent for the period July 1, 2003 through September 30, 2003 and 12.99 percent for the period October 1, 2003 through June 30, 2004 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPSERS pension plan for the years ended June 30, 2004, 2003 and 2002 were \$601,997, \$574,654 and \$564,161.46, respectively.

Postemployment Benefits

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPSERS pension plan discussed above.

16) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and workman's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to Brown & Brown Insurance and Accident Fund.

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

17) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs, principal of which is the Special Education grant. This program is subject to program compliance audits. The audit of this programs for and including the year ended June 30, 2004, has been conducted and has been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time; although the District expects such amounts, if any, to be immaterial.

The District has a potential liability in regards to a fuel oil leak. Estimates of additional expenditures related to this liability are around \$20,000 and are not covered by the District's insurance.

The District has a remaining construction commitment on its 2001 Capital Projects Fund in the amount of \$785,744 at June 30, 2004.

18) SUBSEQUENT EVENTS

The District entered into a lease agreement with Midwest Transit Equipment of Michigan, Inc. to lease five buses. \$8,709 per bus is due upon delivery, with \$8,709 per bus due on the anniversary date, beginning in 2005 for four years. The District has an option to purchase the buses after five years for \$25,860'.

REQUIRED
SUPPLEMENTARY
INFORMATION

ATHERTON COMMUNITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
<u>REVENUES</u>				
Local Sources	\$2,185,237	\$2,196,914	\$2,218,753	\$21,839
State Sources	5,012,080	5,097,401	5,139,333	41,932
Federal Sources	472,890	595,723	589,405	(6,318)
Total Revenues	\$7,670,207	\$7,890,038	\$7,947,491	\$57,453
<u>EXPENDITURES</u>				
Current:				
Instruction	4,863,139	5,166,736	4,980,625	186,111
Student Services	124,871	124,710	126,688	(1,978)
Instructional Support	211,345	229,228	191,617	37,611
General Administration	420,487	358,502	357,546	956
School Administration	533,951	557,013	556,013	1,000
Business Administration	210,533	184,980	177,042	7,938
Operation & Maintenance of Plant	894,166	862,478	851,682	10,796
Transportation	254,958	235,782	236,019	(237)
Support Services - Other	17,393	118,159	118,158	1
Community Services	4,000	3,745	3,745	0
Total Expenditures	\$7,534,843	\$7,841,333	\$7,599,135	\$242,198
Excess of Revenues Over Expenditures	\$135,364	\$48,705	\$348,356	\$299,651
<u>OTHER FINANCING SOURCES (USES)</u>				
Net Change in Fund Balance	(136,130)	(90,375)	(98,261)	(7,886)
<u>FUND BALANCE - BEGINNING</u>			1,489,761	
<u>FUND BALANCE - ENDING</u>			\$1,739,856	

OTHER SUPPLEMENTAL
INFORMATION

ATHERTON COMMUNITY SCHOOLS
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
AS OF JUNE 30, 2004

	Special Revenue Fund	Debt Service Fund	Total Other Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$96,082	\$53,403	\$149,485
Property Taxes Receivable	0	1,874	1,874
Due from Other Funds	12,017	0	12,017
Due from Other Governmental Units	2,458	0	2,458
Inventory	4,589	0	4,589
<u>TOTAL ASSETS</u>	<u>\$115,146</u>	<u>\$55,277</u>	<u>\$170,423</u>
<u>LIABILITIES</u>			
Accounts Payable	\$3,703	\$0	\$3,703
Due to Other Funds	1,474	0	1,474
Total Liabilities	\$5,177	\$0	\$5,177
<u>FUND BALANCES</u>			
Reserved For:			
Inventory	4,589	0	4,589
Debt Retirement	0	55,277	55,277
Unreserved:			
Undesignated, Reported In:			
School Service Fund	105,380	0	105,380
Total Fund Balances	<u>\$109,969</u>	<u>\$55,277</u>	<u>\$165,246</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$115,146</u>	<u>\$55,277</u>	<u>\$170,423</u>

ATHERTON COMMUNITY SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Special Revenue Fund	Debt Service Fund	Total Other Governmental Funds
<u>REVENUES</u>			
Local Sources			
Cafeteria Sales	\$163,892	\$0	\$163,892
Athletic Activities	26,446	0	26,446
Property Taxes	0	655,514	655,514
Earnings on Investments and Deposits	338	992	1,330
Other Local Revenues	4,982	0	4,982
Total Local Sources	<u>\$195,658</u>	<u>\$656,506</u>	<u>\$852,164</u>
State Sources	26,329	0	26,329
Federal Sources	217,552	0	217,552
Total Revenues	<u>\$439,539</u>	<u>\$656,506</u>	<u>\$1,096,045</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>117,672</u>	<u>0</u>	<u>117,672</u>
Total Revenues & Other Financing Sources	<u>\$557,211</u>	<u>\$656,506</u>	<u>\$1,213,717</u>
<u>EXPENDITURES</u>			
Food Service & Athletics	548,381	0	548,381
Debt Service			
Principal	0	275,000	275,000
Interest	0	410,000	410,000
Other	0	169	169
Total Expenditures	<u>\$548,381</u>	<u>\$685,169</u>	<u>\$1,233,550</u>
Net Change in Fund Balance	<u>\$8,830</u>	<u>(\$28,663)</u>	<u>(\$19,833)</u>
<u>NET ASSETS - BEGINNING</u>	<u>101,139</u>	<u>83,940</u>	<u>185,079</u>
<u>NET ASSETS - ENDING</u>	<u>\$109,969</u>	<u>\$55,277</u>	<u>\$165,246</u>

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
SPECIAL REVENUE FUND
COMBINING BALANCE SHEET
AS OF JUNE 30, 2004

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$96,082	\$0	\$96,082
Due from Other Funds	0	12,017	12,017
Due from Other Governmental Units	2,458	0	2,458
Inventory	4,589	0	4,589
<u>TOTAL ASSETS</u>	<u>\$103,129</u>	<u>\$12,017</u>	<u>\$115,146</u>
<u>LIABILITIES</u>			
Accounts Payable	\$2,398	\$1,305	\$3,703
Due to Other Funds	1,474	0	1,474
Total Liabilities	\$3,872	\$1,305	\$5,177
<u>FUND EQUITY</u>			
Reserved for Inventory	4,589	0	4,589
Unreserved and Undesignated	94,668	10,712	105,380
Total Fund Equity	\$99,257	\$10,712	\$109,969
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$103,129</u>	<u>\$12,017</u>	<u>\$115,146</u>

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
SPECIAL REVENUE FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2004

<u>REVENUES</u>	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTALS</u>
<u>Local Sources</u>			
Cafeteria Sales	\$163,892	\$0	\$163,892
Athletic Activities	0	26,446	26,446
Earnings on Investments and Deposits	338	0	338
Other Local Revenues	4,982	0	4,982
Total Local Sources	\$169,212	\$26,446	\$195,658
<u>State Sources</u>			
State Reimbursements	26,329	0	26,329
<u>Federal Sources</u>			
Federal Reimbursements	32,070	0	32,070
Commodities	185,482	0	185,482
Total Federal Sources	\$217,552	\$0	\$217,552
Total Revenues	\$413,093	\$26,446	\$439,539
<u>OTHER FINANCING SOURCES</u>			
Transfers from General Fund	0	117,672	117,672
Total Revenues and Other Financing Sources	\$413,093	\$144,118	\$557,211
<u>EXPENDITURES</u>			
Salaries - Non-Professional	161,852	71,497	233,349
Insurances	15,181	0	15,181
Fica, Retirement, Etc.	32,992	14,735	47,727
Other Benefits	220	0	220
Purchased Services	3,702	57,689	61,391
Supplies and Materials	180,148	0	180,148
Other	10,365	0	10,365
Total Expenditures	\$404,460	\$143,921	\$548,381
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</u>	<u>\$8,633</u>	<u>\$197</u>	<u>\$8,830</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$90,624</u>	<u>\$10,515</u>	<u>\$101,139</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$99,257</u>	<u>\$10,712</u>	<u>\$109,969</u>

INDIVIDUAL FUND SCHEDULES OF
REVENUES, EXPENDITURES AND
OTHER FINANCING USES

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
FOR THE YEAR ENDED JUNE 30, 2004

	BUDGET	ACTUAL	VARIANCE
<u>REVENUES FROM</u>			
<u>Local Sources</u>			
Property Tax Levy	\$2,056,293	\$2,065,365	\$9,072
Earnings on Investments and Deposits	6,000	6,047	47
Skip Grant	8,198	8,198	0
Transfer from ISD - Medicaid - Fee-for-Service	10,403	10,403	0
Other Local Revenues	116,020	128,740	12,720
Total Revenues from Local Sources	\$2,196,914	\$2,218,753	\$21,839
<u>State Sources</u>			
Unrestricted			
State Aid - Foundation - Sec. 20	4,639,085	4,681,386	42,301
Restricted			
Special Education	188,450	188,450	0
EDP/Assessment - MS/HS	26,600	26,600	0
Golden Apple Award	8,983	8,983	0
Drivers Education	1,118	1,118	0
Durant	14,988	14,988	0
At Risk	218,177	217,808	(369)
Total Revenues from State Sources	\$5,097,401	\$5,139,333	\$41,932
<u>Federal Sources</u>			
Grants from ISD	243,094	241,957	(1,137)
Teacher Training	66,750	66,751	1
Enhancing Education Through Technology	7,348	7,348	0
Bridges to the Future	21,452	21,452	0
Medicaid	11,822	11,822	0
Title I	211,108	211,108	0
Title I Carryover	26,942	26,942	0
Title V	7,207	1,800	(5,407)
WIA Youth Services	0	225	225
Total Revenues from Federal Sources	\$595,723	\$589,405	(\$6,318)
Total Revenues	\$7,890,038	\$7,947,491	\$57,453
<u>OTHER FINANCING SOURCES</u>			
Sale of School Property	63,818	63,554	(264)
County Special Education Tax	56,715	56,715	0
Total Other Financing Sources	\$120,533	\$120,269	(\$264)
<u>TOTAL REVENUES AND OTHER FINANCING SOURCES</u>	<u>\$8,010,571</u>	<u>\$8,067,760</u>	<u>\$57,189</u>

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2004

<u>INSTRUCTION</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>BASIC PROGRAMS</u>			
<u>Elementary</u>			
Salaries - Professional	\$741,518	\$676,229	\$65,289
Salaries - Non-Professional	38,683	38,683	0
Insurances	80,828	81,160	(332)
Fica, Retirement, Etc.	144,660	144,187	473
Other Benefits	11,803	11,803	0
Purchased Services	16,534	14,731	1,803
Supplies and Materials	21,554	21,553	1
Capital Outlay	3,998	3,998	0
Total Elementary	\$1,059,578	\$992,344	\$67,234
<u>Middle School</u>			
Salaries - Professional	1,078,549	1,040,564	37,985
Salaries - Non-Professional	72,132	72,132	0
Insurances	213,955	209,215	4,740
Fica, Retirement, Etc.	225,829	223,522	2,307
Other Benefits	9,934	9,934	0
Purchased Services	49,538	47,735	1,803
Supplies and Materials	64,758	64,174	584
Capital Outlay	2,332	2,331	1
Total Middle School	\$1,717,027	\$1,669,607	\$47,420
<u>High School</u>			
Salaries - Professional	830,741	830,741	0
Salaries - Non-Professional	27,902	25,519	2,383
Insurances	176,965	176,965	0
Fica, Retirement, Etc.	176,075	176,075	0
Other Benefits	6,322	(3,691)	10,013
Purchased Services	57,739	55,936	1,803
Supplies and Materials	52,787	51,947	840
Capital Outlay	2,335	2,335	0
Total High School	\$1,330,866	\$1,315,827	\$15,039
<u>Total Basic Programs</u>	\$4,107,471	\$3,977,778	\$129,693
<u>ADDED NEEDS</u>			
<u>Special Education</u>			
Salaries - Professional	359,142	331,483	27,659
Salaries - Non-Professional	45,649	42,100	3,549
Insurances	83,389	77,125	6,264
Fica, Retirement, Etc.	83,512	78,664	4,848
Other Benefits	3,216	3,216	0
Purchased Services	286	286	0
Supplies and Materials	27,582	13,484	14,098
Total Special Education	\$602,776	\$546,358	\$56,418

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>INSTRUCTION</u> (Continued)			
<u>ADDED NEEDS</u> (Continued)			
<u>Compensatory Education</u>			
Salaries - Professional	\$323,777	\$323,777	\$0
Insurances	62,396	62,396	0
Fica, Retirement, Etc.	64,463	64,463	0
Supplies and Materials	5,853	5,853	0
Total Compensatory Education	<u>\$456,489</u>	<u>\$456,489</u>	<u>\$0</u>
Total Added Needs	<u>\$1,059,265</u>	<u>\$1,002,847</u>	<u>\$56,418</u>
Total Instruction	\$5,166,736	\$4,980,625	\$186,111
<u>SUPPORT SERVICES</u>			
<u>STUDENT SERVICES</u>			
Salaries - Professional	58,187	58,187	0
Salaries - Non-Professional	23,540	23,540	0
Insurances	26,072	26,072	0
Fica, Retirement, Etc.	16,911	16,911	0
Purchased Services	0	1,978	(1,978)
Total Student Services	<u>\$124,710</u>	<u>\$126,688</u>	<u>(\$1,978)</u>
<u>INSTRUCTIONAL STAFF</u>			
Salaries - Professional	165,585	138,474	27,111
Salaries - Non-Professional	3,577	3,577	0
Insurances	20,045	15,141	4,904
Fica, Retirement, Etc.	34,158	28,562	5,596
Supplies and Materials	5,863	5,863	0
Total Instructional Staff	<u>\$229,228</u>	<u>\$191,617</u>	<u>\$37,611</u>
<u>GENERAL ADMINISTRATION</u>			
Salaries - Professional	106,441	106,441	0
Salaries - Non-Professional	136,678	136,676	2
Insurances	34,978	34,978	0
Fica, Retirement, Etc.	48,257	48,256	1
Other Benefits	1,400	1,400	0
Purchased Services	12,763	11,763	1,000
Supplies and Materials	16,641	16,688	(47)
Capital Outlay	66	66	0
Other	1,278	1,278	0
Total General Administration	<u>\$358,502</u>	<u>\$357,546</u>	<u>\$956</u>

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>SUPPORT SERVICES (Continued)</u>			
<u>SCHOOL ADMINISTRATION</u>			
Salaries - Professional	\$290,838	\$290,837	\$1
Salaries - Non-Professional	133,624	132,624	1,000
Insurances	48,926	48,926	0
Fica, Retirement, Etc.	77,770	77,771	(1)
Other Benefits	3,281	3,281	0
Purchased Services	1,254	1,254	0
Other	1,320	1,320	0
Total School Administration	<u>\$557,013</u>	<u>\$556,013</u>	<u>\$1,000</u>
<u>BUSINESS OFFICE</u>			
Purchased Services	182,020	173,772	8,248
Other	2,960	3,270	(310)
Total Business Office	<u>\$184,980</u>	<u>\$177,042</u>	<u>\$7,938</u>
<u>OPERATION & MAINTENANCE OF PLANT</u>			
Salaries - Professional	6,382	6,382	0
Salaries - Non-Professional	90,406	90,406	0
Insurances	14,097	14,097	0
Fica, Retirement, Etc.	19,849	19,849	0
Other Benefits	272	272	0
Purchased Services	714,866	704,070	10,796
Supplies and Materials	16,606	16,606	0
Total Operation and Maintenance of Plant	<u>\$862,478</u>	<u>\$851,682</u>	<u>\$10,796</u>
<u>TRANSPORTATION</u>			
Salaries - Professional	6,382	6,382	0
Salaries - Non-Professional	125,607	125,607	0
Insurances	11,860	11,860	0
Fica, Retirement, Etc.	26,708	26,708	0
Other Benefits	272	272	0
Purchased Services	28,434	28,672	(238)
Supplies and Materials	35,890	35,889	1
Capital Outlay	629	629	0
Total Transportation	<u>\$235,782</u>	<u>\$236,019</u>	<u>(\$237)</u>
<u>OTHER SUPPORT SERVICES</u>			
Salaries - Non-Professional	97,930.00	97,930	0
Fica, Retirement, Etc.	20,229.00	20,228	1
Total Other Support Services	<u>\$118,159</u>	<u>\$118,158</u>	<u>\$1</u>
<u>Total Support Services</u>	<u>\$2,670,852</u>	<u>\$2,614,765</u>	<u>\$56,087</u>

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<u>COMMUNITY SERVICES</u>			
Supplies and Materials	<u>\$3,745</u>	<u>\$3,745</u>	<u>\$0</u>
<u>Total Expenditures</u>	<u>\$7,841,333</u>	<u>\$7,599,135</u>	<u>\$242,198</u>
<u>OTHER FINANCING USES</u>			
Transfers to Athletics	117,672	117,672	0
Special Ed Consortium	61,334	68,956	(7,622)
Principal Payments	29,001	29,001	0
Bus Interest Payments	<u>2,901</u>	<u>2,901</u>	<u>0</u>
Total Other Financing Uses	<u>\$210,908</u>	<u>\$218,530</u>	<u>(\$7,622)</u>
<u>TOTAL EXPENDITURES AND OTHER FINANCING USES</u>	<u>\$8,052,241</u>	<u>\$7,817,665</u>	<u>\$234,576</u>

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
TRUST AND AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2004

STUDENT GROUPS	DUE TO (FROM) STUDENT GROUPS		DUE TO (FROM) STUDENT GROUPS	
	JULY 1, 2003	RECEIPTS	DISBURSEMENTS	JUNE 30, 2004
Adm Bereavement Fund	\$91	\$262	\$178	\$175
Aea Pop & Coffee Fund	268	1,005	664	609
Art Activity	110	0	0	110
Boys Youth Basketball	573	905	1,330	148
Boys Youth Basketball Entry Fee	2	0	0	2
Case	80	0	0	80
CC-Fund Raiser	660	0	3	657
Class Of 99	1,096	0	5	1,091
Class Of 2000	55	0	0	55
Class Of 2001	55	0	0	55
Class Of 2002	55	0	0	55
Class Of 2003	1,558	0	7	1,551
Class Of 2004	2,110	1,849	2,449	1,510
Class Of 2005	109	12,443	8,182	4,370
Class Of 2006	1,543	3,762	2,890	2,415
Class Of 2007	662	4,881	4,124	1,419
Class Of 2008	0	389	2	387
Eighth Grade Activity	487	805	360	932
Fifth Grade Activity	1,303	2,094	2,508	889
Fourth Grade Activity	901	666	481	1,086
Girls Youth Basketball	528	210	346	392
HS Baseball	80	1,441	972	549
HS Boys Basketball	39	575	220	394
HS Building Fund	422	9,662	9,638	446
HS Cheerleaders	808	787	1,217	378
HS Close-Up	289	0	1	288
HS Drama Guild	1,127	2,607	2,370	1,364
HS Foods	14	1,626	1,523	117
HS Football	0	3,987	3,987	0
HS Girls Basketball	271	9,818	9,336	753
HS Homemaking	9	777	663	123
HS Library	141	173	25	289
HS Literary Magazine	67	1,196	717	546
HS Shop	148	1,325	938	535
HS Student Council	0	2,306	2,305	1
HS Talent Show	533	0	295	238
HS Volleyball	1,099	1,320	2,195	224
Interest & Bank Chgs	0	626	626	0
Irv King Memorial	379	0	2	377
J Hemingway Fund	3,782	618	31	4,369
Marketing	87	255	121	221
MS Arts	6	250	97	159
MS Bldg Fund	11,404	33,247	42,832	1,819

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN

TRUST AND AGENCY FUND

SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2004

STUDENT GROUPS	DUE TO (FROM) STUDENT GROUPS		DUE TO (FROM) STUDENT GROUPS	
	JULY 1, 2003	RECEIPTS	DISBURSEMENTS	JUNE 30, 2004
MS Cheerleaders	\$67	\$710	\$710	\$67
MS Choir	1,431	15,469	14,455	2,445
MS Drama	155	180	124	211
MS Flower Fund	0	771	469	302
MS Fundraiser	0	2,329	2,320	9
MS Industrial Arts	3	0	0	3
MS Journalism	76	0	0	76
MS Library	218	2,208	2,211	215
MS Market Day	0	365	365	0
MS N.H.S.	598	0	2	596
MS Parent Group	121	0	1	120
MS Physical Ed	221	347	70	498
MS Positive Awards	85	360	445	0
MS R.I.F.	102	0	0	102
MS Ski Trip	0	2,296	2,184	112
MS Special Ed	8	0	0	8
MS Special Ed - Sue Will	0	322	140	182
MS Stage Improvement	0	4,527	1	4,526
MS Student Council	573	2,859	2,885	547
MS Washington Trip	0	751	3	748
MS Yearbook	409	0	58	351
National Honor Society	1,058	4,332	4,807	583
Powers MS Classroom	313	1	1	313
S A D D	105	899	530	474
S Winters Band Memorial	134	0	1	133
Seventh Grade Activity	1,295	835	72	2,058
Six Grade Activity	37	4,550	3,897	690
Stage Improvement	2,097	666	2,334	429
Temporary Fund	366	0	2	364
Tennis Activity	0	808	4	804
Van Y Bldg Fund	6,365	40,192	33,335	13,222
Van Y Library Fund	164	724	306	582
Van Y Music Fund	28	0	0	28
Yearbook	2,798	9,262	12,060	0
Youth Cheerleaders	9	1,301	462	848
Youth Football	6,198	5,815	9,042	2,971
Youth Football Boosters	0	120	0	120
Youth Pom Pon	32	0	1	31
Youth Programs-Misc.	111	0	1	110
Youth Summer Ball	1,100	0	6	1,094
TOTALS	\$59,228	\$204,866	\$196,944	\$67,150

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2004

DATE OF ISSUE - November 24, 1998

Original amount of issue - \$149,883

1998 DURANT RESOLUTION PACKAGE BONDS

<u>PAYMENT DATE - MAY 15TH</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>INTEREST REQUIREMENT</u>	<u>TOTAL PAYMENT</u>
2005	4.761353%	\$0	\$0	\$0
2006	4.761353%	7,255	3,270	10,525
2007	4.761353%	7,599	2,925	10,524
2008	4.761353%	35,032	14,637	49,669
2009	4.761353%	8,341	2,184	10,525
2010	4.761353%	8,738	1,787	10,525
2011	4.761353%	9,154	1,371	10,525
2012	4.761353%	9,590	935	10,525
2013	4.761353%	10,046	478	10,524
<u>TOTAL</u>		<u>\$95,755</u>	<u>\$27,587</u>	<u>\$123,342</u>

DATE OF ISSUE - November 13, 2001

Original amount of issue - \$9,125,000

2001 SCHOOL BUILDING AND SITE BONDS

<u>PAYMENT DATE</u>	<u>INTEREST RATE</u>	<u>PRINCIPAL REQUIREMENT</u>	<u>NOVEMBER INTEREST REQUIREMENT</u>	<u>MAY INTEREST REQUIREMENT</u>	<u>TOTAL PAYMENT</u>
2005	6.00%	\$315,000	\$196,750	\$196,750	\$708,500
2006	6.00%	335,000	187,300	187,300	709,600
2007	6.00%	355,000	177,250	177,250	709,500
2008	6.00%	375,000	166,600	166,600	708,200
2009	6.00%	395,000	155,350	155,350	705,700
2010	6.00%	415,000	143,500	143,500	702,000
2011	4.00%	440,000	131,050	131,050	702,100
2012	4.00%	460,000	118,400	118,400	696,800
2013	4.00%	485,000	109,200	109,200	703,400
2014	4.00%	515,000	99,500	99,500	714,000
2015	4.00%	540,000	89,200	89,200	718,400
2016	4.00%	570,000	78,400	78,400	726,800
2017	4.00%	605,000	67,000	67,000	739,000
2018	4.00%	635,000	54,900	54,900	744,800
2019	4.00%	670,000	42,200	42,200	754,400
2020	4.00%	710,000	28,800	28,800	767,600
2021	4.00%	730,000	14,600	14,600	759,200
<u>TOTAL</u>		<u>\$8,550,000</u>	<u>\$1,860,000</u>	<u>\$1,860,000</u>	<u>\$12,270,000</u>

ATHERTON COMMUNITY SCHOOLS

BURTON, MICHIGAN

FEDERAL AWARDS
SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2004

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Lewis & Knopf, CPAs, P.C.

"Serving You with Trust and Integrity"

July 27, 2004

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education of
Atherton Community Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Atherton Community Schools, as of and for the year ended June 30, 2004, which collectively comprise the Atherton Community Schools' basic financial statements and have issued our report thereon dated July 27, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Atherton Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Atherton Community Schools, in a separate letter dated July 27, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Atherton Community Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Atherton Community Schools, in a separate letter dated July 27, 2004.

This report is intended solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lewis & Knopf, P.C.

LEWIS & KNOPF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



Lewis & Knopf, CPAs, P.C.

"Serving You with Trust and Integrity"

July 27, 2004

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Board of Education of
Atherton Community Schools

Compliance

We have audited the compliance of Atherton Community Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. Atherton Community Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Atherton Community Schools' management. Our responsibility is to express an opinion on Atherton Community Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Atherton Community Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Atherton Community Schools' compliance with those requirements.

In our opinion, Atherton Community Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2004-1.

Internal Control Over Compliance

The management of Atherton Community Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Atherton Community Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.



Atherton Community Schools

Page 2

July 27, 2004

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level, the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

LEWIS & KNOFF, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS - THROUGH PROJECT NUMBER	APPROVED GRANT AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through Michigan Department of Education			
Title I Grants to Local Educational Agencies	84.010		
Title I Regular (02-03)		31530-0203	\$224,613
Title I Carryover (01-02)		21530-0203	33,749
Title I Carryover (02-03)		31530-0304	26,942
Title I Regular (03-04)		41530-0304	217,467
Total Title I			<u>\$502,771</u>
Innovative Education Program Strategie:	84.298		
Title V Carryover (01-02)		20250-0203	1,029
Title V Carryover (02-03)		30250-0304	1,393
Title V (02-03)		30250-0203	4,127
Title V (03-04)		40250-0304	3,080
Total Innovative Education Program Strategie:			<u>\$9,629</u>
Enhancing Education Through Technolog:	84.318		
Technology Literacy Challenge Grant		34290-0203	910
Technology Literacy Challenge Grant		34290-0304	6,348
Technology Literacy Challenge Grant		44290-0304	5,273
Total Enhancing Education Through Technolog:			<u>\$12,531</u>
Class Size Reduction Program	84.340		
Class Size Reduction Program Carryover (01-02)		21450-0203	35,212
Teacher/Principal Training and Recruiting	84.367		
Improving Teacher Quality (02-03)		30520-0203	48,692
Improving Teacher Quality - Carryove		30520-0304	15,478
Improving Teacher Quality (03-04)		40520-0304	60,746
Total Teacher/Principal Training & Recruiting			<u>\$124,916</u>
Total Passed Through Michigan Department of Education			<u>\$685,059</u>
Passed Through Genesee Intermediate School District			
Special Education - Grants to States:	84.027		
IDEA Flowthrough (02-03)		30450-0203	154,513
IDEA Flowthrough (02-03)		20450-0203	7,801
IDEA Flowthrough (03-04)		40450-0304	175,447
Transition Services (03-04)		40490-TS	700
Total Special Education Grants to States			<u>\$338,461</u>
Safe & Drug Free Schools & Communities State Grant:	84.186		
Safe & Drug Free Schools (02-03)		32860-0203	1,138
Safe & Drug Free Schools (03-04)		42860-0304	1,525
Total Safe & Drug Free Schools & Communities State Grant:			<u>\$2,663</u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2003	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2004
\$224,614	\$224,614	\$0	(\$1)	\$224,613	\$0
33,749	33,749	0	0	33,749	0
0	0	26,942	0	0	26,942
0	0	211,109	0	0	211,109
<u>\$258,363</u>	<u>\$258,363</u>	<u>\$238,051</u>	<u>(\$1)</u>	<u>\$258,362</u>	<u>\$238,051</u>
1,029	1,029	0	0	1,029	0
1,393	1,393	0	0	1,393	0
0	0	1,800	0	0	1,800
0	0	0	0	0	0
<u>\$2,422</u>	<u>\$2,422</u>	<u>\$1,800</u>	<u>\$0</u>	<u>\$2,422</u>	<u>\$1,800</u>
910	910	0	0	910	0
0	0	6,348	0	0	6,348
0	0	1,000	0	0	1,000
<u>\$910</u>	<u>\$910</u>	<u>\$7,348</u>	<u>\$0</u>	<u>\$910</u>	<u>\$7,348</u>
35,212	35,212	0	0	35,212	0
48,692	48,692	0	0	48,692	0
0	0	15,478	0	0	15,478
0	0	51,273	0	0	51,273
<u>\$48,692</u>	<u>\$48,692</u>	<u>\$66,751</u>	<u>\$0</u>	<u>\$48,692</u>	<u>\$66,751</u>
<u>\$345,599</u>	<u>\$345,599</u>	<u>\$313,950</u>	<u>(\$1)</u>	<u>\$345,598</u>	<u>\$313,950</u>
93,088	93,088	61,425	0	154,513	0
7,801	7,801	0	0	7,801	0
0	0	175,447	0	36,492	138,955
0	0	700	0	700	0
<u>\$100,889</u>	<u>\$100,889</u>	<u>\$237,572</u>	<u>\$0</u>	<u>\$199,506</u>	<u>\$138,955</u>
1,138	1,138	0	(1,138)	0	0
0	0	1,525	0	1,525	0
<u>\$1,138</u>	<u>\$1,138</u>	<u>\$1,525</u>	<u>(\$1,138)</u>	<u>\$1,525</u>	<u>\$0</u>

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS - THROUGH PROJECT NUMBER	APPROVED GRANT AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through Genesee Intermediate School District			
Fund for Improvement of Education	84.215		
PEP - C.M. White Physical Fitness (02-03)		S215F020310	4,534
PEP - C.M. White Physical Fitness (03-04)		Q215F031137	3,998
MI Model for Character Education (02-03)		21470-CE20021	6,500
Total Fund for Improvement of Education			<u>\$15,032</u>
Total Passed Through Genesee Intermediate School District			<u>\$356,156</u>
<u>TOTAL U.S. DEPARTMENT OF EDUCATION</u>			\$1,041,215
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Michigan Department of Education:			
Food Distribution	10.550		
Entitlement Commodities		N/A	\$26,804
Bonus Commodities		N/A	<u>5,266</u>
Total Food Distribution			<u>\$32,070</u>
School Breakfast Program	10.553	N/A	43,226
National School Lunch Program	10.555	N/A	<u>142,256</u>
<u>TOTAL U.S. DEPARTMENT OF AGRICULTURE</u>			\$217,552
<u>U.S. DEPARTMENT OF LABOR</u>			
Passed Through Genesee Intermediate School District			
WIA Title I Year Round Youth Services (03-04)	17.259	007-K-03	225
<u>U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES</u>			
Passed Through United Way of Genesee County			
Bridges to the Future	93.558		21,452
Passed Through Genesee Intermediate School District			
Medicaid - Administrative Outreach	93.778	N/A	<u>11,822</u>
<u>TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES</u>			<u>\$33,274</u>
<u>TOTAL FEDERAL AWARDS</u>			<u>\$1,292,266</u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2003	PRIOR YEAR EXPENDITURES	CURRENT YEAR EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2004
486	4,241	0	0	486	0
0	0	3,998	0	0	3,998
5,905	5,905	0	0	5,905	0
<u>\$6,391</u>	<u>\$10,146</u>	<u>\$3,998</u>	<u>\$0</u>	<u>\$6,391</u>	<u>\$3,998</u>
<u>\$108,418</u>	<u>\$112,173</u>	<u>\$243,095</u>	<u>(\$1,138)</u>	<u>\$207,422</u>	<u>\$142,953</u>
\$454,017	\$457,772	\$557,045	(\$1,139)	\$553,020	\$456,903
\$0	\$0	\$26,804	\$0	\$26,804	\$0
<u>0</u>	<u>0</u>	<u>5,266</u>	<u>0</u>	<u>5,266</u>	<u>0</u>
<u>\$0</u>	<u>\$0</u>	<u>\$32,070</u>	<u>\$0</u>	<u>\$32,070</u>	<u>\$0</u>
7,160	0	43,226	0	50,386	0
<u>22,376</u>	<u>0</u>	<u>142,256</u>	<u>0</u>	<u>164,632</u>	<u>0</u>
\$29,536	\$0	\$217,552	\$0	\$247,088	\$0
0	0	225	0	225	0
0	0	21,452	0	19,581	1,871
<u>0</u>	<u>0</u>	<u>11,822</u>	<u>0</u>	<u>11,822</u>	<u>0</u>
<u>\$0</u>	<u>\$0</u>	<u>\$33,274</u>	<u>\$0</u>	<u>\$31,403</u>	<u>\$1,871</u>
<u>\$483,553</u>	<u>\$457,772</u>	<u>\$808,096</u>	<u>(\$1,139)</u>	<u>\$831,736</u>	<u>\$458,774</u>

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

FEDERAL REVENUE RECOGNIZED FOR THE SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS

\$808,096

Less: Adjustment

(1,139)

TOTAL

\$806,957

FEDERAL REVENUE RECOGNIZED PER THE GENERAL
PURPOSE FINANCIAL STATEMENTS

General Fund

\$589,405

School Service Fund

217,552

TOTAL

\$806,957

- 1) The Schedule of Expenditures of Federal Awards had been prepared under the modified accrual basis of accounting.
- 2) Management has utilized the Grants Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Form R7120 have been reconciled in the attached reconciliation on page 7 of this report.
- 3) As of the date of completion of fieldwork, the Schedule of Transfers to Sub-Recipients from the Intermediate School Districts was not available. The amounts shown on the Schedule of Federal Financial Assistance as flow through from the Intermediate School Districts may not be conclusive.
- 4) Adjustment of \$1,138 Drug Free Schools (02-03) CFDA (84.186) was made due to prior year receivable not being collected.

ATHERTON COMMUNITY SCHOOLS - BURTON, MICHIGAN
RECONCILIATION OF FORM R 7120 " GRANT SECTION AUDITOR'S REPORT"
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

Current Payments Per the Grant Section Auditor's Report (Form R 7120)			\$543,617
<u>Less:</u> State Funded Grants			
Drivers Education			(2,511)
School Breakfast Program			(9,161)
<u>Less:</u> Timing Differences			
School Breakfast and Lunch Program Revenue Received in Subsequent Year			28,671
<u>Add:</u> Grants Passed Through the Genesee Intermediate School District			
Special Education - Grants to States (CFDA 84.027)	\$199,506		
Safe & Drug Free Schools (84.186)	1,525		
Fund for Improvement of Education (CFDA 84.215)	6,391		
WIA Title I Year Round Youth Services (CFDA 17.259)	225		
Medicaid - Administrative Outreach	11,822		
Total Grants Passed Through Genesee Intermediate School District			219,469
Grants Passed Through United Way			
Bridges to the Future (CFDA 93.558)			19,581
Entitlement and Bonus Commodities (CFDA 10.550)			32,070
<u>TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</u>			<u>\$831,736</u>

ATHERTON COMMUNITY SCHOOLS- BURTON, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported

Type of auditor’s report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

☒ Yes ☐ No

Identification of major programs:

CFDA Number(s)
84.027

Name of Federal Program or Cluster
Special Education Grant

Dollar threshold use to distinguish between type A and type B programs:

\$ 300,000.00

Auditee qualified as low-risk auditee?

☒ Yes ☐ No

ATHERTON COMMUNITY SCHOOLS- BURTON, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004

2004-1) Special Education Grant (CFDA #84.027)

<u>Specific Requirement:</u>	Allowable Cost/Cost Principles.
<u>Condition:</u>	The District did not complete the time certifications required for employees working solely on a single Federal award or cost objective.
<u>Criteria:</u>	The cost principles of OMB Circular A-87 require, "Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee".
<u>Effect of Condition:</u>	Salaries and wages charged to the program could be disallowed.
<u>Cause of Condition:</u>	The cause of the condition was the lack of knowledge of the requirement of the Circular in regards to the need for time certification.
<u>Recommendation:</u>	The District should develop a standard time certification form and have the appropriate employee or other supervisory employee complete the certifications every six months.
<u>Management Response:</u>	The District will develop a standard time certification form and have the appropriate employee or other supervisory employee complete the certifications every six months.
<u>Questioned Cost:</u>	None.

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no prior year findings.



Lewis & Knopf, CPAs, P.C.

"Serving You with Trust and Integrity"

July 27, 2004

To the Board of Education of
Atherton Community Schools

In planning and performing our audit of the general purpose financial statements of Atherton Community Schools for the year ended June 30, 2004 we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Atherton Community Schools' ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements.

The following items that are an immaterial internal control or administrative consideration came to our attention.

CURRENT YEAR FINDINGS

1. Time Certifications

The cost principles of OMB Circular A-87 require, "Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee".

The District should develop a standard time certification form and have the appropriate employee or other supervisory employee complete the certifications every six months.

2. Federal Grant Program Reimbursements

The District should request reimbursements on its federal grants on a monthly basis to take advantage of the increased cash flow opportunity.

FUTURE ISSUES

1. Chart of Accounts

As you may be aware of, the Center for Educational Performance and Information (CEPI) has implemented a new upload application/database for financial reporting for districts. This new application/database is called the Financial Information Database (FID). For the fiscal year 2003 – 2004 you will be required to submit your financial data via the FID. The EDN/Form B submission process has been eliminated and is no longer available. The due date for the 2003 – 2004 FID submission is November 15, 2004.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.



Atherton Community Schools

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July 27, 2004

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended for the information of Atherton Community Schools' Board of Education and management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

LEWIS & KNOPE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS